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Volume 2 | Issue 4

Article 2

August 2015

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Recommended Citation

Meyers, William H. and Elmore, Steven L. (2015) "The EU Export Tax: Impact on U.S. Markets," *Iowa Ag Review*: Vol. 2 : Iss. 4 , Article 2.
Available at: <http://lib.dr.iastate.edu/iowaagreview/vol2/iss4/2>

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Iowa Farm Economic Indicators

Iowa Cash Receipts

	January — May		
	1996	1995	1994
	(Million Dollars)		
Crops	2,667	2,104	1,460
Livestock	2,257	2,293	2,322
Total	4,923	4,396	3,782

Average Farm Prices
Received By Iowa Farmers

	August 1996	July 1996	August 1995
	(\$/Bushel)		
Corn	4.55	4.38	2.63
Soybeans	7.80	7.57	5.83
Oats	2.20	2.26	1.47
	(\$/Ton)		
Alfalfa	95.00	96.00	85.00
All Hay	90.00	93.00	81.00
	(\$/Cwt.)		
Steers & Heifers	64.60	62.60	61.70
Feeder Calves	53.90	51.90	70.80
Cows	30.70	30.70	36.10
Barrows & Gilts	61.30	60.70	49.60
Sows	53.20	49.30	34.20
Sheep	27.30	23.50	27.00
Lambs	101.00	105.00	85.70
	(\$/Lb.)		
Turkeys	0.48	0.47	0.42
	(\$/Dozen)		
Eggs	0.55	0.49	0.37
	(\$/Cwt.)		
All Milk	15.30	14.30	12.40

World Stocks-to-Use Ratios

	Crop Year		
	1996/97 August Projection	1995/96 August Estimate	1994/95
	(Percent)		
Corn	9.90	9.95	15.15
Soybeans	10.58	10.39	14.29
Wheat	16.20	15.86	17.84

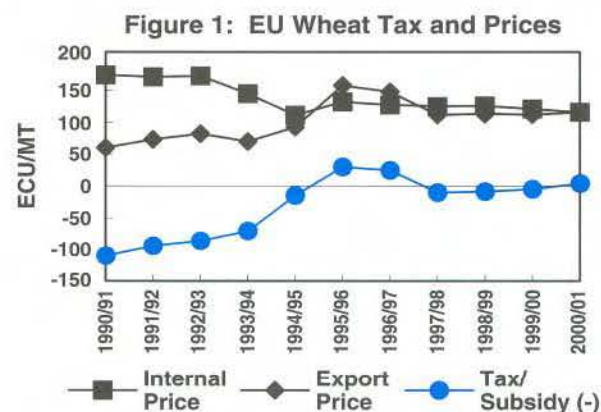
CARD/FAPRI Analysis

The EU Export Tax: Impact on U.S. Markets

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In response to high world grain prices, the European Union (EU) introduced wheat export taxes in November 1995 for the first time in more than a decade. Normally, the EU offers export subsidies to make up the difference between their high internal grain prices and world market prices. However, EU internal support prices have been reduced over the last three years as a result of policy reforms. Recent high world grain prices have exceeded the EU support prices since early in the 1995/96 crop year. Rather than let internal prices follow world market prices upward, the EU decided to protect its domestic grain users and levy an export tax to prevent internal prices from rising to world levels (Figure 1). The major impacts of this tax were to reduce EU wheat production and exports from what they would have been without the tax, reduce internal grain prices, and increase wheat feed use. These changes directly impact the U.S. and world wheat markets and indirectly influence feed grain markets.



CARD analyzed the impacts of the export tax, assuming that it would continue into the new crop year at a slightly lower level than in 1995/96. The reduced exports and wheat production from the EU increases demand for the exports of the U.S. and other countries and raises world wheat prices to a level higher than they would have been without the EU export tax (Table 1). In both crop years it is estimated that the U.S. wheat farm price is 11 to 12 cents per bushel higher as a consequence of this export tax.

The impact on feed grains and U.S. corn markets is brought about primarily through the substitution of wheat for feedgrains in animal feed and a marginal shift of planting from wheat to feed grains in the EU. This indirect effect is rather small and is estimated to have no significant effect on U.S. corn price in the current crop year and a very small price reduction in 1996/97.

Table 1. Impacts of the EU Wheat Export Tax

	1995/96	1996/97
Wheat	(1,000 Metric tons)	
EU Production	0	-2546
EU Feed Use	1886	1323
EU Net Exports	-1850	-3840
U.S. Net Exports	1045	1585
Feedgrains		
EU Production	0	1398
EU Feed Use	-1152	-662
EU Net Exports	498	1864
U.S. Corn Net Exports	-339	-897
FOB U.S. Gulf Price	(\$/Metric ton)	
Wheat	4.96	5.08
Corn	-0.20	-1.57
U.S. Farm Price	(\$/Bushel)	
Wheat	0.11	0.12
Corn	-0.00	-0.04

As grain prices return to normal levels in 1997/98 and beyond, it is expected that the EU will remove the export tax and revert to the use of export subsidies whenever world prices fall below domestic support levels. These kinds of policies are a typical example of a country trying to stabilize its internal prices at the expense of creating more instability externally. In this case, the EU action to stabilize its domestic wheat price has caused world market and U.S. prices for wheat to be even more unstable. ♦

Agriculture's Next Ten Years: 1996 Iowa Baseline

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CARD's *Iowa Outlook 1996-2005* consists of benchmark numbers used to determine how agricultural policies at the federal level affect local Iowa farmers. The ten-year projections represent a composite of model results and judgments regarding future Iowa, U.S., and international crop and livestock production, consumption, trade and prices. The baseline results are not a

forecast, but rather represent a scenario conditional upon Iowa, U.S., and international macroeconomic assumptions and continuation of current agricultural policies.

The Iowa results are based on the FAPRI 1996 U.S. and International baseline results (See the June 1996 issue of the *Iowa Ag Review*) and updated for recent crop and livestock developments. Here are some key factors of the analysis:

Corn

With a 7.5 percent ARP rate and unfavorable conditions in 1995/96, corn planted area had **dropped** to 11.7 million acres. With no ARPs in the FAIR Act and larger flexibility in planting decisions, planted area increased to 12.5 million acres in 1996/97 and is expected to continue rising the next two years. A record yield of 152 bushels per acre in 1994/95 and a lower than normal yield of 121 bushels per acre in 1995/96 sets the stage for this year.

Iowa corn yield is projected to be 129 bushels per acre in 1996/97 and then grow steadily to 151.6 bushels per acre by 2005/06. Coming off the record high production of 1.9 billion bushels in 1994/95, Iowa posted a 1.5 billion bushel crop last year.

Iowa corn production is currently expected to be 1.6 billion bushels in 1996/97 and grow steadily to 1.8 billion bushels by 2005/06. High prices were the hallmark of the 1995/96 crop year with corn farm price averaging \$3.10 per bushel. Corn price for 1996/97 is expected to be \$3.21 per bushel if average weather conditions hold for the rest of the growing season.

With the new farm bill changing the government program structure to decoupled payments, a change occurs in attributing the payments to the net returns. Net returns rise from \$212 per acre in 1995/96 to \$249 per acre in 1996/97 due to strong farm prices. Costs of production continue to rise steadily throughout the period. With increased production and lower prices in 1997/98, net returns fall off by just under \$80 per acre. Prices and yields increase in the later years causing net returns to increase to \$183 per acre by 2005/06.

Soybeans

Soybean planted acreage in Iowa broke 9 million acres for the first time in history last year. The current estimate of 1996/97 planted area is 9.5 million acres. Planted area is projected to continue growing due to the relatively higher soybean over corn net returns and